



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Power Pooling Agreement and Facilities Agreement Between Northern California Power Agency and Its Members, Including Lodi

MEETING DATE: December 15, 1993

SUBMITTED BY: Electric Utility Director

RECOMMENDED ACTION: Approve execution of the Power Pooling Agreement and Facilities Agreement between Northern California Power Agency and its members on file in the office of the City Clerk (summary included as Attachment A).

BACKGROUND INFORMATION: The Northern California Power Agency (NCPA), of which Lodi is a participant, has found that it is economical for its participating members to dispatch the power produced from the various NCPA power plants and power supply contracts in a manner which best utilizes such power. The following agreements (developed and evaluated over a four-year period) have been adopted by the NCPA Commission to formally create a power pool to minimize cost through a central economic dispatch of resources.

Power Pooling Agreement Power pooling is the organization of two or more electric utility systems that coordinate planning and operations to achieve economies of scale, minimize operating cost and conserve fuel. Such joint action requires central economic dispatch of resources to achieve optimization of generation and transmission resources of the various utility systems. NCPA has established a central dispatch operation which schedules power production for all NCPA power plants. The central dispatch operation also forecasts load demands and schedules project power and power purchases for NCPA's ten interconnected members.

The original impulse toward creating the pool was begun in 1984 and gained momentum in 1987 as the NCPA membership contemplated combining geothermal power production with the unpredictable availability of water for hydroelectric operation, and new markets for economy power purchases. The NCPA participants wanted confidence in achieving benefits, effective pool organization and member oversight/coordination. An ad hoc pooling committee of NCPA studied the problems associated with pool operation over a four-year period and developed the contractual language required to formalize a pooling operation. The NCPA Commission accepted the recommendation of this ad hoc pooling committee to adopt an interim pooling agreement (essentially what is now being formalized) for a period of testing and review to achieve confidence in the pooling procedures. Confidence has now been established among the participants sufficient to formalize the pool operation in contractual form, and the final documents have been sent to each city to adopt. At this time, all cities have adopted the Power Pooling Agreement, except Lodi.

APPROVED

THOMAS A. PETERSON
City Manager



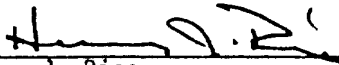
RECYCLED PAPER

The Power Pooling Agreement itself is composed of sections dealing with, among other areas, pool billing procedures, capacity responsibility and deficiency charges, principles for purchase and sale of surplus energy and energy transactions with non-pool entities.

Facilities Agreement This agreement provides for NCPA membership overview of the operation and maintenance of NCPA facilities. The Facilities Agreement complements the Power Pooling Agreement and is to be adopted concurrently. This Facilities Agreement has been in effect on an interim basis for almost four years. Substance of the interim document is unchanged since the last presentation by the ad hoc committee to the NCPA Commission in July 1990. This agreement establishes the NCPA Facilities Committee which oversees the design, planning, siting, operations and maintenance of all NCPA projects. Each committee member has one vote with respect to NCPA project issues, each member utility has one Facilities Committee member.

The agreements have been reviewed by NCPA Counsel and approved by the NCPA Commission. The agreements must now also be executed by the participating members of NCPA to ensure that all members can continue utilizing the benefits of pooling on a formal basis.

FUNDING: Not Applicable



Henry J. Rice
Electric Utility Director

c: City Attorney

SUMMARY OF NCPA POOLING AGREEMENT AND SCHEDULES

The NCPA Pooling Agreement is an agreement among those NCPA members desiring to integrate their resources and resource requirements for allocation on a group (Pool) basis rather than an individual basis. The Agreement establishes the Power Pool and the associated requirements, obligations, and benefits. NCPA members who are signatories to this agreement are Pool Parties. Ownership of a resource is not a prerequisite to becoming a member of the Pool. The Pooling Agreement is designed to work in concert with the Facilities Agreement for those Parties bringing NCPA resources to the Pool. The Pooling Agreement and its Schedules establish and define the relationships and powers of NCPA, the Commission and the Parties with respect to the Pool.

The Pooling Agreement contains 26 Articles and has 22 Pooling Schedules. An overview of these are presented below.

THE POOLING AGREEMENT ARTICLES

Article 1 - Definitions

This Article provides explanations of terms used in the Agreement. Definitions are consistent with those used in the utility industry and with other NCPA agreements.

Article 2 - Commission

Article 2 deals with representation in the pool, quorums, voting rights, and duties and authority with respect to that portion of the NCPA Commission representing the Parties to the Pooling Agreement.

Quorum and Voting: Voting rights are based on preceding calendar year energy load. Actions require a 75% or greater affirmative vote to pass, however, a negative vote by three or more parties having a minimum of 20% of the total number of votes defeats any proposed action. A quorum requires a minimum of Parties representing 50% of the Pool energy total.

Duties and Authority of the Commission include: Administering the agreement; appointing the General Manager; establishing the Pool Objective Capability and each Party's Capability Responsibility during a binding period; approving goals and objectives; providing facilities for NCPA; executing contracts; establishing reliability standards; having final approval authority

Article 3 - General Manager and Staff

Article 3 deals with reporting authority, NCPA Staff hiring, duties and authority, use of task forces, consultants, computer time, expenses and preparation of goals and objectives.

Duties and Authority of the General Manager and Staff: directed by the Commission; coordinate and maintain Pool facilities; perform Pool accounting and record keeping; prepare proposed annual budget; furnish information and reports to Parties; develop necessary Pool procedures; calculate resource fixed and variable costs and transaction incremental and decremental costs for the Pool; develop a Pool billing system; bill the Parties; assist Parties in sales and Purchases; consult with the Pooling Committee; initiate and update short and long-term resource planning; develop an annual generation and transmission plan; determine and recommend a Pool Objective Capability to the Commission; oversee reliability standards and insure reliable operation

Article 4 - Pooling Committee

Each Party has one representative on the Pooling Committee. The General Manager or his representative is a non-voting member. The Committee meets at least quarterly. Voting is by consensus. Actions of the Pooling Committee are subject to Commission ratification.

Duties and authority: initiate and review planning and operational studies; review the Pool Objective Capability and Capability Responsibility; review reliability studies; recommend actions to the Commission; review and approve scheduling and coordination; review and approve operating principles and procedures; review and approve Pool fixed and variable costs; review budget; propose goals and objectives to General Manager

Article 5 - Resource Planning

Requires Parties to annually submit to NCPA a twenty-year forecast of demand and energy load in order to enable NCPA to prepare a Binding Period and a twenty year resource plan.

Article 6 - Resource Sale and Purchase

Establishes transfers of capacity between members through the "Resource Allocation Procedures" Schedule. Covers sales to and from non-parties and capability deficiencies.

Article 7 - Resource Development

Resource development study, design and review to be done on a Pool basis. Parties still determine their own participation. Parties agree to coordinate distribution system changes which may affect Pool Planned Units or transmission with their systems.

Article 8 - Central Dispatch and Scheduling Services

Parties agree to subject all their resources to central dispatching by NCPA in order to supply the capacity and energy requirements of the combined Parties at the lowest practicable cost and in a safe and reliable manner.

Article 9 - Accounting

Outlines accounting categories and associate record keeping requirements.

Article 10 - Metering

Necessary metering for billing to be installed, maintained and read in accordance with good utility practice.

Article 11 - Billing

Covers billing schedules, due dates, appeals and dispute resolution.

Article 12 - Pooling Schedules

Discusses the need for detailed principles and procedures to implement the terms and conditions of the Pooling Agreement. These schedules are attached the Agreement as Service Schedules and are designed not to require review of the entire Agreement for changes.

Article 13 - Other Agreements

When effective, this agreement takes precedence over all other agreements with the exception of Third Phase Agreements, and is intended to complement the Joint Powers Agreement. The Pooling and Facilities Agreements collectively supersede the respective Member Service Agreements between NCPA and the Parties.

Article 14 - Western Systems Coordination Council (WSCC)

Standards, criteria and rules applied in the Pool are intended to be consistent with WSCC standards and practices.

Article 15 - Term of Agreement

Minimum of six months written notice for withdrawal. Withdrawal does not release a Party from approved Capacity Balance obligations developed pursuant to the NCPA Billing Procedures for the Interconnected Members.

Article 16 - Notices

All formal notices must be given in writing.

Article 17 - Waiver of Defaults

May only be given by the Commission, does not set precedent and must be in writing.

Article 18 - Uncontrollable Forces

What they are and their impact on obligations.

Article 19 - Liability

Covers liability, division of responsibility and indemnity for NCPA and the Parties

Article 20 - Reports and Records

Pool oriented. No explicit mention of accounts , audits or standards as the Facilities Agreement counterpart does.

Article 21 - Assignment of Agreement

Covers transfers of Pooling Agreement rights and responsibilities.

Article 22 - Settlement of Disputes and Arbitration

Same requirements as for the Facilities Agreement: 45 days for Pooling Committee to resolve; 15 days to select an arbitrator; 30 days for arbitrator to select one of two final offers (baseball arbitration); losing Party to pay arbitration costs.

Article 23 - Amendments

Must be in writing and formally adopted.

Article 24 - Severability

Provides for elements of the Agreement to remain effective if one or more elements are declared invalid.

Article 25 - Governing Law

The Agreement shall be subject to California law.

Article 26 - Counterparts

The Agreement is designed to accommodate any number of Parties.

THE POOLING SCHEDULES

PA 1.00 - Pool Billing Procedures

Details responsibilities, methods and time lines for promulgation and payment of monthly power bills by NCPA and Pool Parties.

PA 1.01 - Determination of Capability Responsibility

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A Party's Capability Responsibility is its share of the Pool's total generating capability (Pool Objective Capability) which must be in place to reliably serve loads. Currently being done on the NCPA/PG&E IA twenty-four month period on a coincident load basis.

PA 1.02 - Capability Deficiency Charges

Deficiency charges are based on Capability Deficiency - the amount by which a Party's needs (Capability Responsibility) exceeds its resources (System Capability). Formulas are used to determine the magnitude of charges that can be assessed for monthly deficiencies, or for deficiencies continuing for 3 or more consecutive months.

Upon appeal by a Party, the Commission may excuse any penalty.

PA 1.03 - Payment for Economy and Deficiency Service

Economy service costs buyers their decremental or avoided cost. Sellers receive their incremental cost.

Buyers of Deficiency Service costs pay the Pool incremental costs of the highest cost resource operating in the Pool. Sellers receive their incremental cost.

PA 1.04 - Designation of Alternative Resources

Commission designates appropriate alternate resource based on NCPA staff research and Pooling Committee recommendation for the IA Binding Forecast Period. Alternate resource capacity and energy prices are then used to determine Pool resource transfer prices.

PA 2.01 - Pricing Plant and Contract Surpluses

Based on the principles that Parties should not pay more for Pool surplus resources than the alternative resource costs for comparable capacity and energy and that buyers and sellers should share the savings when Pool surpluses are less expensive. This schedule sets transfer capacity prices and limits associated energy transfers to only variable costs.

PA 2.02 - Principles for Sale of Excess Energy

NCPA will attempt to utilize excess (dump) energy such as unregulated flow from Calaveras by backing down other resources, notifying Parties to increase loads (short-term sales to customers), marketing to non-interconnected members, and marketing outside NCPA in that order to prevent PG&E's receiving free inadvertent energy.

PA 3.01 - Economic Dispatch

Parties submit all generation resources, purchases from Non-Parties and associated transmission to NCPA central dispatch to the fullest extent possible. Resources are then dispatched to meet the combined (Pool) load at the lowest practicable cost in a reliable and safe manner and in compliance with applicable regulations and agreements.

PA 4.01 - Allocation of Pool Expenses

System Control, Interconnection and Pool expense determination and allocation are determined on an annual basis. This Schedule details the methods used.

PA 5.01 - Load Forecast Reporting Requirement

Sets forth the required forecasts: (1) Pool operational forecasts, (2) the PG&E binding forecast, (3) the CEC's CFM forecast and (4) other forecasts such as the monthly dispatch operational forecast.

PA 5.02 - Load Forecasting Methodology Requirements

The intent is to standardize the Parties' load forecast preparation along CEC lines to insure a minimum level of accuracy and defensibility. Phase-in of the requirements will take place over a three to five-year period.

PA 5.03 - Load Management Principles

Two types: Type I - scheduled and dispatched by NCPA; Type 2 - controlled and dispatched by Parties in coordination with NCPA (three subclasses). Reporting requirements and application to load/resource analysis vary by type.

PA 5.04 - Hourly Forecasting Methodology

Each Party's long-term monthly energy and peak forecast is combined with a base year load shape based on five historical years to forecast hourly loads for the Binding Period.

PA 6.01 - Resource Allocation Procedures

Describes allocation of surpluses to deficit Parties in an economic manner through use of the Resource Allocation Model (RAM). Identifies annual energy deficits. In no event are the procedures to simultaneously cause a Party to sell an inexpensive resource and replace it with a more expensive resource with the same degree of usefulness.

PA 6.02 - Pool Accounting Method

The Pool Accounting Method (PAM) of billing energy exchanges calculates payments to and from the Parties taking into consideration how well a Party's resource mix fits its load and provides equitable sharing of the Pool savings.

PA 7.01 - Scheduling Western Allocations

Continues the allocation of the real-time scheduled members monthly energy entitlement into 35% base and 65% economic slice bands and provides a mechanism for sales of unused portions through the PAM. Outlines Western reporting adjustments.

PA 8.01 - Energy Transactions with Non-Parties

Sales priced at resource's variable cost plus 10% to ensure coverage of NCPA costs. PG&E support power allocated in proportion to unit ownership shares. Purchases from Non-Parties without ownership rights allocated in proportion to the scheduling portion of SCALD costs.

PA 9.01 - Spinning Reserves

Explains the need, requirements and obligations for meeting spinning reserves called for by the Interconnection Agreement with PG&E.

PA 9.02 - Transmission

Describes the various types of transmission available under the Interconnection Agreement with PG&E.

PA 10.01 - Western Demand Optimization

Describes the Pool's means of managing costs associated with demand charges from the Western Area Power Administration.

PA 11.01 - Contractual Limitations

Describes the limitations on capacity of NCPA resources required by contractual obligations.

PA 12.01 - Arbitration Procedures

Provides a detailed explanation of how formal disputes are to be resolved in the Pool.

SUMMARY OF NCPA FACILITIES AGREEMENT

The NCPA Facilities Agreement is an agreement among all NCPA members who are participants in NCPA projects. The Facilities Agreement was designed to supplement the existing Third Phase Agreements for NCPA projects, and establishes principles and

procedures for facilities development and operation. The Facilities Agreement and associated schedules establish and define relationships and powers of NCPA, the Commission, and NCPA members with respect to NCPA projects. The Facilities Agreement contains 24 Articles and has 18 associated Schedules. A summary of the basic elements of the Facilities Agreement and Schedules is provided below.

FACILITIES AGREEMENT

Article 1 - Definitions

This section of the Agreement provides an explanation of terms used in the Agreement. Definitions are based on consistency with existing agreements, terms, and clarification and expansion of other definitions.

Articles 2,3 and 4 - Authorities and Duties

Articles 2 through 4 provide for duties, responsibilities and authority of the NCPA commission, the NCPA staff and facilities Committee.

NCPA Commission Voting: Majority unless requested, then by project percentage.

Duties & Authority: Administer the agreement; appoint general manager; approve goals; provide facilities for staff; execute contracts; adopt budget; has final approval authority.

NCPA Staff Duties & Authority: Develop goals and objectives as directed by Commission; conduct project studies; acquire, construct and operate projects; obtain licenses and permits; direct the design of projects; recommend financing methods; monitor projects; supervise construction; procure fuel and equipment for projects; operate projects; calculate fixed & variable costs; bill project participants; develop maintenance schedule; determine capacity ratings; prepare budget and reports.

Facilities Committee: One representative per participant; reports to the Commission; meet at least quarterly; one vote per participant, unless project participation vote demand, then vote is by project percentage.

Facilities Committee Duties: Review project studies; review acquisition of property; review NCPA actions regarding licensing; review project design; monitor progress of projects; review procurement plans; monitor O & M costs; review and approve maintenance schedules; review capability ratings; review and approve project billing procedures; review fixed and variable cost calculations; review NCPA project budgets; make recommendations to general manager and commission; propose goals & objectives for general manager.

Articles 5 and 6 - Project Services and Transfers

Articles 5 and 6 define and establish procedures for establishing NCPA projects and the three phases of NCPA projects, participation in projects, project operations and transfers of ownership shares. The procedures and principles in these sections were designed to be consistent with existing procedures and agreements.

- *Provides for up to three phases for NCPA project development

- *Provides NCPA members with project participant rights based on NCPA percentages.

- *Establishes project financing requirements.

- *Provides for NCPA monitoring and dispatch of projects and cost allocation to these functions. Also designates NCPA responsibility for setting procedures, criteria, for NCPA projects.

- *Permits participants to schedule their share of NCPA projects.

- *Authorizes participants to sell all or a portion of their NCPA projects and gives other participants first access to the surplus resources.

Articles 7 and 8 - Metering and Billing

Articles 7 and 8 establish guidelines for project metering and billing. Project metering provisions require accurate metering consistent with existing procedures and contracts. Billing under this agreement follows the procedures adapted by the Commission.

Articles 9 and 10 - Service Schedules and Other Agreements

These articles of the proposed Agreement provide for development and implementation of principles and procedures for implementation of the Agreement. These principles and procedures are attached to the Agreement as Service Schedules and are designed to not require review of the entire Agreement, and which can be modified with Commission action, as contrasted with the requirement for adoption of this Agreement. Article 10 discusses the relationship of the Agreement with the NCPA Joint Powers Agreement (JPA). The Facilities Agreement complements and helps define the JPA, but does not supercede the JPA.

The Facilities Agreement is designed to supercede the Member Service Agreements for all signatories. It also complements existing Second and Third Phase Agreements, and provides a framework for future agreements. The Facilities Agreement also complements the Geothermal Operating Agreement.

Article 11 - Western Systems Coordinating Council

States that facilities will be operated according to principles and procedures established by the Western Systems Coordinating Council (WSCC).

Articles 12 through 24 - Term, Notices, Liabilities, Arbitration, Amendments, and etc.

Articles 12 through 24 specify principles and procedures for various aspects of the Agreement.

*Adverse Impact: States that a participant will not take any action that has an adverse impact on NCPA facilities.

*Term: This section establishes that the Agreement will remain in effect until terminated, subject to six-month termination procedures, provided that prior obligations are honored.

*Notices: Establishes requirements to provide notices as required in the Agreement.

*Waiver of Defaults.

*Uncontrollable Forces.

*Liability: This Article 17 sets forth principles of liability, responsibility and indemnification.

*Reports, Records, Accounts and Audits: Establishes basic requirements for maintaining necessary records and reporting on NCPA projects.

*Assignment of Agreement.

*Settlement of Disputes: This section provides for review of disputes by the Facilities Committee and Binding Arbitration for all unsettled disputes.

*Amendments.

*Severability.

*Governing Law.

*Counterparts.

FACILITIES AGREEMENT SCHEDULES

The Service Schedules to the Facilities Agreement establish detailed procedures and principles for implementation of the Facilities Agreement.

FA 0.00 - Introduction to Facilities Schedules.

Explains the need for Schedules and lays out how the Schedules are organized.

FA1.00 through 1.04

Establish principles for determining fixed and variable costs for each project or contract, and establishes that billing will be made by fixed and variable costs, and further states the categories of costs in the past, present and future NCPA budgets for each project which are fixed and/or variable, using FERC and National Association of Regulatory Utility Commissions methods.

FA 2.01 through 2.04

Establishs criteria for determination of project or contract capability. Three basic criteria are used to guide determination of capability.

*Physical and Operational Criteria: These criteria include project equipment ratings, weather conditions and load levels.

*Licensing and Regulatory Criteria: Project licenses and regulatory criteria which affect capability are referenced in this section.

*Contractual Criteria: Participant and other contracts which include transmission and/or transfer agreements are included in this section.

FA 3.01 through 3.04

Establishes detailed guidelines and procedures for operating individual projects or contracts. The operating procedures include participant rights and responsibilities related to project operations, scheduling and accounting. The operation procedures allow project participants to do the following:

1. Designate their entitlement as reserve.
2. Coordinate operations with other participants.
3. Individually schedule their project entitlement or replacement project entitlement.

The procedures further establish guidelines for accounting of project entitlements and use of these project generation accounts. The project generation accounts are established for half-hourly, daily and annual accounts. The operating procedures also establish guidelines for coordination of project scheduling among project participants.

FA 4.00

Details the allocation of the plant portion of system control and load dispatch costs.

FA 5.00

Explains the need for and use of reserve funds at NCPA, as applied to the Facilities Agreement.

FA 6.00

This Schedule details the responsibilities, duties and responsibilities of the Coordinated Operations Group, which oversees operation of NCPA projects.

FA 7.00

This Schedule explains the three phases used when NCPA develops new resources.

FA 8.00

This Schedule provides detailed information about how disputes are resolved among the Participants to the Facilities Agreement.

RESOLUTION NO. 93-153

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A RESOLUTION OF THE LODI CITY COUNCIL APPROVING EXECUTION
OF THE NORTHERN CALIFORNIA POWER AGENCY POOLING
AGREEMENT AND FACILITIES AGREEMENT

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WHEREAS, BE IT HEREBY RESOLVED, that the Northern California Power Agency Pooling Agreement and Facilities Agreement, approved by that Agency by its Resolution No. 93-20 on September 22, 1993, in the form presented to this meeting, is approved, and the City Manager is authorized and directed on behalf of the City Council of Lodi, to execute and deliver such agreement on behalf of the City of Lodi.

Dated: December 15, 1993

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I hereby certify that Resolution No. 93-153 was passed and adopted by the Lodi City Council in a regular meeting held December 15, 1993 by the following vote:

Ayes: Council Members - Davenport, Mann, Pennino, Snider,
Sieglock (Mayor)

Noes: Council Members - None

Absent: Council Members - None


Jennifer M. Perrin
City Clerk

93-153